

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name Franklin Township	County LENAWEE	Type TOWNSHIP	MuniCode 46-1-080
Opinion Date-Use Calendar Jul 9, 2008	Audit Submitted-Use Calendar Jul 22, 2008	Fiscal Year-Use Drop List	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 396,801.00
General Fund Expenditure:	\$ 341,640.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 950,365.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) Meredith A.	Last Name Matthews	Ten Digit License Number 1101029000		
CPA Street Address 121 N. Main Street	City Adrian	State MI	Zip Code 49221	Telephone +1 (517) 265-6154
CPA Firm Name Robertson, Eaton & Owen, P.C.	Unit's Street Address 4041 E. Monroe Road	City Tipton	LU Zip 49287	

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

**WITH
INDEPENDENT AUDITORS' REPORT**

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
INDEPENDENT AUDITORS' REPORT
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**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended March 31, 2008

As management of Franklin Township, Lenawee County, Michigan, we offer readers of Franklin Township, Lenawee County, Michigan's financial statements this narrative overview and analysis of the financial activities of Franklin Township, Lenawee County, Michigan for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of Franklin Township, Lenawee County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$2,668,780 (*net assets*). Of this amount, \$1,583,663 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased \$70,554. This increase is attributable, in a large part, to less funds spent on roads and bridges.
- At the end of the current year, unreserved fund balance for the general fund was \$959,786 or 285 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Franklin Township, Lenawee County, Michigan's basic financial statements. Franklin Township, Lenawee County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Franklin Township, Lenawee County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Franklin Township, Lenawee County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Franklin Township, Lenawee County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Franklin Township, Lenawee County, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Franklin Township, Lenawee County, Michigan include general government, public safety, roads and bridges, and cemetery operations. The business-type activity of Franklin Township, Lenawee County, Michigan includes the sewer system.

The government-wide financial statements can be found on pages 2 – 4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Franklin Township, Lenawee County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Franklin Township, Lenawee County, Michigan can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Franklin Township, Lenawee County, Michigan maintains two individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund which is considered to be a major fund.

Franklin Township, Lenawee County, Michigan adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 5 – 8 of this report.

Proprietary Fund. Franklin Township, Lenawee County, Michigan maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Franklin Township, Lenawee County, Michigan uses an Enterprise Fund to account for its Sewer Fund.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Sewer Fund, which is considered to be major fund of Franklin Township, Lenawee County, Michigan.

The basic fund financial statements can be found on pages 9 – 11 of this report.

Fiduciary Fund. The Fiduciary Fund is used to account for resources held under tax collection activity, trailer tax and performance bond activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic fiduciary fund financial statement can be found on page 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 – 23 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Franklin Township, Lenawee County, Michigan, assets exceeded liabilities by \$2,957,956 at the close of the most recent fiscal year.

The largest portion of Franklin Township, Lenawee County, Michigan's net assets (45 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. Franklin Township, Lenawee County, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Franklin Township has bonds through Lenawee County related to capital assets.

Franklin Township, Lenawee County, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2008</u>	<u>2007</u>
Current and other assets	\$ 968,907	\$ 1,213,001	\$ 2,181,908	\$ 2,273,634
Capital assets	<u>55,380</u>	<u>2,166,479</u>	<u>2,221,859</u>	<u>2,274,929</u>
Total assets	<u>\$ 1,024,287</u>	<u>\$ 3,379,480</u>	<u>\$ 4,403,767</u>	<u>\$ 4,548,563</u>
Total liabilities	<u>8,032</u>	<u>1,726,955</u>	<u>1,734,987</u>	<u>1,649,948</u>
Net assets:				
Invested in capital assets, net of related debt	55,380	1,028,648	1,084,028	1,302,529
Restricted for expendable trust	1,089		1,089	1,067
Unrestricted	<u>959,786</u>	<u>623,877</u>	<u>1,583,663</u>	<u>1,595,019</u>
Total net assets	<u>\$ 1,016,255</u>	<u>\$ 1,652,525</u>	<u>\$ 2,668,780</u>	<u>\$ 2,898,615</u>

A portion of Franklin Township, Lenawee County, Michigan's net assets (.04 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,583,663) may be used to meet the government's ongoing obligations to citizens and creditors.

Franklin Township, Lenawee County, Michigan's Change in Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals 2008</u>	<u>2007</u>
Program revenues:				
Charges for services	\$ 34,393	\$ 75,894	\$ 110,287	\$ 117,041
Capital grants and contributions	<u></u>	<u>94,727</u>	<u>94,727</u>	<u>94,367</u>
Total program revenues	<u>34,393</u>	<u>170,621</u>	<u>205,014</u>	<u>211,408</u>
General revenues:				
Property taxes	101,680		101,680	96,520
Franchise taxes	7,871		7,871	6,040
Intergovernmental – State	202,205		202,205	204,385
Unrestricted investment earnings	42,115	57,607	99,722	85,572
Other	<u>13,279</u>	<u></u>	<u>13,279</u>	<u>25,305</u>
Total general revenues	<u>367,150</u>	<u>57,607</u>	<u>424,757</u>	<u>417,822</u>
Total revenues	<u>401,543</u>	<u>228,228</u>	<u>629,771</u>	<u>629,230</u>
Expenses:				
General government	136,208		136,208	136,171
Public health and safety	29,370		29,370	29,357
Public works	17,220		17,220	15,384
Community and economic development	143,040		143,040	134,156
Other	14,382		14,382	16,921
Sewer	<u></u>	<u>218,997</u>	<u>218,997</u>	<u>164,156</u>
Total expenses	<u>340,220</u>	<u>218,997</u>	<u>559,217</u>	<u>496,145</u>
Change in net assets	61,323	9,231	70,554	133,085
Adjustment (Notes 11 and 12)	5,000	(305,389)	(300,389)	
Beginning net assets	<u>949,932</u>	<u>1,948,683</u>	<u>2,898,615</u>	<u>2,765,530</u>
Ending net assets	<u>\$ 1,016,255</u>	<u>\$ 1,652,525</u>	<u>\$ 2,668,780</u>	<u>\$ 2,898,615</u>

At the end of the current fiscal year, Franklin Township, Lenawee County, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Financial Analysis of the Government's Funds

As noted earlier, Franklin Township, Lenawee County, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Franklin Township, Lenawee County, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Franklin Township, Lenawee County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, Franklin Township, Lenawee County, Michigan's governmental funds reported combined ending fund balance of \$960,875, an increase of \$64,604 in comparison with the prior year.

The general fund is the only major fund of Franklin Township, Lenawee County, Michigan. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$959,786.

The fund balance of Franklin Township, Lenawee County, Michigan's General Fund increased by \$64,582 during the current fiscal year. A key factor in this increase was minimizing the increase in expenditures.

Proprietary Fund - Franklin Township, Lenawee County, Michigan's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$623,877.

General Fund Budgetary Highlights

The differences between the final budget and actual are due to the Township incurring expenditures greater than expected. There were no significant differences between original and final budget.

Capital Asset and Debt Administration

Capital assets. Franklin Township, Lenawee County, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounts to \$2,221,859 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, office equipment and computers, and sewer system.

Franklin Township, Lenawee County, Michigan's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2008</u>	<u>Totals 2007</u>
Land	\$ 33,312	\$	\$ 33,312	\$ 33,312
Land improvements	18,071		18,071	18,071
Buildings and improvements	25,881		25,881	25,881
Machinery and equipment	9,705		9,705	9,705
Office equipment and computers	13,215		13,215	8,215
Sewer system	<u> </u>	<u>2,739,451</u>	<u>2,739,451</u>	<u>2,739,451</u>
 Total	 <u>\$ 100,184</u>	 <u>\$ 2,739,451</u>	 <u>\$ 2,839,635</u>	 <u>\$ 2,834,635</u>

Additional information on Franklin Township's capital assets can be found in Note 5. on page 20.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates less expenditures and income for building and electrical inspections due to economic factors.

Requests for Information

This financial report is designed to provide a general overview of Franklin Township, Lenawee County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Franklin Township, 4041 East Monroe Road, P.O. Box 101, Tipton, MI 49287.

July 9, 2008

INDEPENDENT AUDITORS' REPORT

Franklin Township
Lenawee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin Township, Lenawee County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Franklin Township, Lenawee County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin Township, Lenawee County, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Robertson, Eaton & Owen, P.C.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

**March 31, 2008
With Comparative Totals for the Year Ended March 31, 2007**

PRIMARY GOVERNMENT

	Governmental Activities	Business-Type Activity	Totals 2008	2007
Assets:				
Cash and cash equivalents	\$ 752,258	\$ 469,936	\$ 1,222,194	\$ 1,252,642
Investments	84,771		84,771	81,929
Taxes receivable	340		340	75
Accounts receivable		19,808	19,808	19,936
Due from agency funds	113,226	150,775	264,001	222,699
Due from other governmental units	8,891	12,259	21,150	24,326
Special assessments receivable		569,644	569,644	672,027
Capital assets:				
Land	33,312		33,312	33,312
Land improvements	18,071		18,071	18,071
Buildings	25,881		25,881	25,881
Machinery and equipment	9,705		9,705	9,705
Office equipment and computers	13,215		13,215	8,215
Sewer system		2,739,451	2,739,451	2,739,451
Less: Accumulated depreciation	(44,804)	(572,972)	(617,776)	(559,706)
Total assets	<u>\$ 1,014,866</u>	<u>\$ 3,388,901</u>	<u>\$ 4,403,767</u>	<u>\$ 4,548,563</u>
Liabilities:				
Accounts payable	8,032		8,032	5,521
Interest payable		19,480	19,480	
Deferred revenue – special assessment		569,644	569,644	672,027
Bonds payable		865,800	865,800	972,400
Contract payable		272,031	272,031	
Total liabilities	<u>8,032</u>	<u>1,726,955</u>	<u>1,734,987</u>	<u>1,649,948</u>
Net assets:				
Invested in capital assets, net of related debt	55,380	1,028,648	1,084,028	1,302,529
Restricted for expendable trust	1,089		1,089	1,067
Unrestricted	950,365	633,298	1,583,663	1,595,019
Total net assets	<u>\$ 1,006,834</u>	<u>\$ 1,661,946</u>	<u>\$ 2,668,780</u>	<u>\$ 2,898,615</u>

The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF ACTIVITIES

**For the Year Ended March 31, 2008
With Comparative Totals for the Year Ended March 31, 2007**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>
Primary Government:			
Governmental activities:			
General government	\$ 141,065	\$ 8,894	\$
Public safety	29,370	25,499	
Public works	142,884		
Community and economic development	17,220		
Other	<u>14,382</u>		
Total governmental activities	<u>344,921</u>	<u>34,393</u>	
Business-Type activities:			
Sewer system	<u>209,576</u>	<u>75,894</u>	<u>94,727</u>
Total primary government	<u>\$ 554,497</u>	<u>\$ 110,287</u>	<u>\$ 94,727</u>

General Revenues:

Property taxes
Franchise fees
Intergovernmental – State
Investment earnings
Other

Total general revenues

Change in net assets

Adjustment (Notes 11 and 12)

Net assets – beginning of year

Net assets – end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>2008</u>	Total <u>2007</u>
\$ (132,171)	\$	\$ (132,171)	\$ (124,518)
(3,871)		(3,871)	(666)
(142,884)		(142,884)	(134,156)
(17,220)		(17,220)	(15,384)
<u>(14,382)</u>	<u></u>	<u>(14,382)</u>	<u>(16,921)</u>
<u>(310,528)</u>	<u>-</u>	<u>(310,528)</u>	<u>(291,645)</u>
<u></u>	<u>(38,955)</u>	<u>(38,955)</u>	<u>6,908</u>
<u>\$ (310,528)</u>	<u>\$ (38,955)</u>	<u>\$ (349,483)</u>	<u>\$ (284,737)</u>
\$ 101,680	\$	\$ 101,680	\$ 96,520
7,871		7,871	6,040
202,205		202,205	204,385
42,115	57,607	99,722	85,572
<u>8,559</u>	<u></u>	<u>8,559</u>	<u>25,305</u>
362,430	57,607	420,037	417,822
51,902	18,652	70,554	133,085
5,000	(305,389)	(300,389)	
<u>949,932</u>	<u>1,948,683</u>	<u>2,898,615</u>	<u>2,765,530</u>
<u>\$ 1,006,834</u>	<u>\$ 1,661,946</u>	<u>\$ 2,668,780</u>	<u>\$ 2,898,615</u>

The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

BALANCE SHEET

GOVERNMENTAL FUNDS

**March 31, 2008
With Comparative Totals for the Year Ended March 31, 2007**

	<u>General Fund</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Governmental Fund 2008</u>	<u>2007</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 752,258	\$	\$ 752,258	\$ 705,408
Investments	83,682	1,089	84,771	81,929
Taxes receivable	340		340	75
Due from other funds				4,700
Due from agency funds	113,226		113,226	100,732
Due from other governmental units	<u>8,891</u>	<u></u>	<u>8,891</u>	<u>8,948</u>
Total assets	<u>958,397</u>	<u>1,089</u>	<u>959,486</u>	<u>901,792</u>
Liabilities and fund balances:				
Current liabilities:				
Accounts payable	<u>8,032</u>	<u></u>	<u>8,032</u>	<u>5,521</u>
Total liabilities	<u>8,032</u>	<u></u>	<u>8,032</u>	<u>5,521</u>
Fund balances:				
Reserved for:				
Nonexpendable trust		1,000	1,000	1,000
Expendable trust		89	89	67
Unreserved:				
Designated for building and site	299,917		299,917	194,351
Undesignated	<u>650,448</u>	<u></u>	<u>650,448</u>	<u>700,853</u>
Total fund balances	<u>950,365</u>	<u>1,089</u>	<u>951,454</u>	<u>896,271</u>
Total liabilities and fund balances	<u>\$ 958,397</u>	<u>\$ 1,089</u>	<u>\$ 959,486</u>	<u>\$ 901,792</u>

Amounts reported for governmental activities
in the Statement of Net Assets are different
because:

Capital assets used in governmental activities
are not financial resources and, therefore,
are not reported in the governmental funds.

The cost of the capital assets is:

The accumulated depreciation is:

\$ 100,184	\$ 95,184
<u>(44,804)</u>	<u>(41,523)</u>

Net differences

55,380	53,661
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Total fund balance in governmental funds

<u>951,454</u>	<u>896,271</u>
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Total net assets of governmental activities

<u>\$ 1,006,834</u>	<u>\$ 949,932</u>
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The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –

GOVERNMENTAL FUNDS

**For the Year Ended March 31, 2008
With Comparative Totals for the Year Ended March 31, 2007**

	General Fund	Nonmajor Permanent Fund	Total Governmental Funds 2008	2007
Revenues:				
Property taxes	\$ 101,680	\$	\$ 101,680	\$ 96,520
Franchise fees	7,871		7,871	6,040
Licenses, permits and fees	34,393		34,393	40,344
Intergovernmental revenues	202,205		202,205	204,385
Interest	42,093	22	42,115	22,593
Miscellaneous revenues	<u>8,559</u>	<u></u>	<u>8,559</u>	<u>25,305</u>
Total revenues	<u>396,801</u>	<u>22</u>	<u>396,823</u>	<u>395,187</u>
Expenditures:				
Current:				
General government	137,784		137,784	133,278
Public health and safety	29,370		29,370	29,357
Public works	142,884		142,884	134,156
Community and economic development	17,220		17,220	15,384
Other	14,382		14,382	16,921
Capital outlay	<u></u>	<u></u>	<u></u>	<u>2,567</u>
Total expenditures	<u>341,640</u>	<u></u>	<u>341,640</u>	<u>331,663</u>
Change in fund balances	55,161	22	55,183	63,524
Fund balances – beginning of year	<u>895,204</u>	<u>1,067</u>	<u>896,271</u>	<u>831,700</u>
Fund balances – end of year	<u>\$ 950,365</u>	<u>\$ 1,089</u>	<u>\$ 951,454</u>	<u>\$ 895,224</u>
Amounts reported for governmental activities in the Statement of Activities are different because:				
Change in fund balances – governmental funds			\$ 55,183	\$ 63,524
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (Total depreciation \$3,281) less total capital outlay \$0).			<u>(3,281)</u>	<u>(326)</u>
Change in net assets in governmental activities			<u>\$ 51,902</u>	<u>\$ 63,198</u>

The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Taxes:				
Property taxes	\$ 92,400	\$ 92,400	\$ 101,680	\$ 9,280
Franchise fees	<u>5,500</u>	<u>5,500</u>	<u>7,871</u>	<u>2,371</u>
Total taxes	<u>97,900</u>	<u>97,900</u>	<u>109,551</u>	<u>11,651</u>
Licenses, permits and fees:				
Permits	24,000	24,000	25,499	1,499
License fees	150	150	149	(1)
Other fees	4,000	4,000	4,650	650
Cemetery fees	<u>5,500</u>	<u>5,500</u>	<u>4,095</u>	<u>(1,405)</u>
Total licenses, permits and fees	<u>33,650</u>	<u>33,650</u>	<u>34,393</u>	<u>743</u>
Intergovernmental revenues:				
State sales tax	<u>190,000</u>	<u>190,000</u>	<u>202,205</u>	<u>12,205</u>
Total intergovernmental revenues	<u>190,000</u>	<u>190,000</u>	<u>202,205</u>	<u>12,205</u>
Interest	<u>15,000</u>	<u>15,000</u>	<u>42,093</u>	<u>27,093</u>
Miscellaneous	<u>10,950</u>	<u>10,950</u>	<u>8,559</u>	<u>(2,391)</u>
Total revenues	<u>347,500</u>	<u>347,500</u>	<u>396,801</u>	<u>49,301</u>
Expenditures:				
General Government				
Township board	52,100	54,100	42,711	11,389
Supervisor	16,000	16,000	15,614	386
Clerk	18,000	18,000	17,750	250
Treasurer	19,300	19,500	19,340	160
Board of review	1,300	1,300	981	319
Assessor	24,600	24,600	24,505	95
Township hall	6,200	8,810	6,886	1,924
Election	5,000	5,000	1,462	3,538
Cemetery	<u>15,000</u>	<u>15,000</u>	<u>8,535</u>	<u>6,465</u>
Total general government	<u>157,500</u>	<u>162,310</u>	<u>137,784</u>	<u>24,526</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Total expenditures carried forward	\$ 157,500	\$ 162,310	\$ 137,784	\$ 24,526
Public health and safety:				
Building inspection	39,600	39,600	29,370	10,230
Total public health and safety	39,600	39,600	29,370	10,230
Public works:				
Roads and bridges	540,219	540,219	132,628	407,591
Drain at large	3,000	8,000	7,998	2
Street lighting	2,400	2,400	2,258	142
Other public works	10,000	10,115		10,115
Total public works	555,619	560,734	142,884	417,850
Community and Economic Development:				
Zoning	12,000	12,000	11,567	433
Planning	7,000	7,000	5,653	1,347
Total community and economic development	19,000	19,000	17,220	1,780
Other:				
Insurance	7,000	7,000	5,699	1,301
Fringe benefits	1,950	1,950	546	1,404
Retirement	8,750	8,750	8,137	613
Total other	17,700	17,700	14,382	3,318
Total expenditures	789,419	799,344	341,640	457,704
Change in fund balance	(441,919)	(451,844)	55,161	507,005
Fund balance – beginning of year			895,204	
Fund balance – end of year			\$ 950,365	

The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENTS OF NET ASSETS

PROPRIETARY FUND

March 31, 2008 and 2007

	Business-Type Activity Enterprise Fund	
	Sewer Fund	
	<u>2008</u>	<u>2007</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 469,936	\$ 547,234
Accounts receivable	19,808	19,936
Due from tax collection	150,775	121,967
Due from other governmental units	<u>12,259</u>	<u>15,378</u>
Total current assets	<u>652,778</u>	<u>704,515</u>
Capital assets:		
Sewer system	2,739,451	2,739,451
Less: Accumulated depreciation	<u>(572,972)</u>	<u>(518,183)</u>
Total capital assets – net	<u>2,166,479</u>	<u>2,221,268</u>
Sewer assessment receivable	<u>569,644</u>	<u>672,027</u>
Total noncurrent assets	<u>2,736,123</u>	<u>2,893,295</u>
Total assets	<u>\$ 3,388,901</u>	<u>\$ 3,597,810</u>
Liabilities:		
Current liabilities:		
Interest payable	\$ 19,480	\$
Due to other funds		4,700
Deferred special assessment revenue-current portion	79,487	82,274
Bonds payable-current portion	106,600	106,600
Contract payable-current portion	<u>47,787</u>	<u></u>
Total current liabilities	<u>253,354</u>	<u>193,574</u>
Noncurrent liabilities:		
Deferred special assessment revenue-noncurrent portion	490,157	589,753
Bonds payable-noncurrent portion	759,200	865,800
Contract payable-noncurrent portion	<u>224,244</u>	<u></u>
Total noncurrent liabilities	<u>1,473,601</u>	<u>1,455,553</u>
Total liabilities	<u>1,726,955</u>	<u>1,649,127</u>
Net assets:		
Invested in capital assets, net of related debt	1,028,648	1,248,868
Unrestricted	<u>633,298</u>	<u>699,815</u>
Total net assets	<u>\$ 1,661,946</u>	<u>\$ 1,948,683</u>

The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS

PROPRIETARY FUND

For the Year Ended March 31, 2008 and 2007

	Business-Type Activity – Enterprise Fund	
	Sewer Fund	
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Sewer usage fee	\$ 75,326	\$ 74,264
Other income	<u>568</u>	<u>2,433</u>
Total operating revenues	<u>75,894</u>	<u>76,697</u>
Operating expenses:		
Operating and maintenance	97,343	82,318
Depreciation	<u>54,789</u>	<u>54,789</u>
Total operating expenses	<u>152,132</u>	<u>137,107</u>
Operating loss	<u>(76,238)</u>	<u>(60,410)</u>
Nonoperating revenues (expenses):		
Special assessments	94,727	94,367
Interest income	57,607	62,979
Interest expense	<u>(57,444)</u>	<u>(27,049)</u>
Total nonoperating revenues (expenses)	<u>94,890</u>	<u>130,297</u>
Change in net assets	18,652	69,887
Adjustment to net assets (Note 11)	(305,389)	
Total net assets – beginning of year	<u>1,948,683</u>	<u>1,878,796</u>
Total net assets – end of year	<u>\$1,661,946</u>	<u>\$1,948,683</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN

STATEMENTS OF CASH FLOWS

PROPRIETARY FUND

For the Years Ended March 31, 2008 and 2007

DECREASE IN CASH AND CASH EQUIVALENTS

	Business-Type Activity – Enterprise Fund	
	Sewer Fund	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 76,675	\$ 70,650
Cash payments to suppliers for services	<u>(102,043)</u>	<u>(77,618)</u>
Net cash used in operating activities	<u>(25,368)</u>	<u>(6,968)</u>
Cash flows from capital and related financing activities:		
Special assessments	97,247	(42,978)
Bond repayment	(139,958)	(106,600)
Interest expense	<u>(37,964)</u>	<u>(27,049)</u>
Net cash used in capital and related financing activities	<u>(80,675)</u>	<u>(176,627)</u>
Cash flows from investing activities:		
Interest	<u>28,745</u>	<u>62,979</u>
Net decrease in cash and cash equivalents	(77,298)	(120,616)
Cash and cash equivalents – beginning of year	<u>547,234</u>	<u>667,850</u>
Cash and cash equivalents – end of year	<u>\$ 469,936</u>	<u>\$ 547,234</u>

**Reconciliation of Operating Loss to Net Cash
Used in Operating Activities**

Operating loss	\$ (76,238)	\$ (60,410)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation expense	54,789	54,789
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	128	485
(Increase) decrease in due from county	378	
(Increase) decrease in due from tax collection	275	
Increase (decrease) in accounts payable		(6,532)
Increase (decrease) in due to other funds	<u>(4,700)</u>	<u>4,700</u>
Total adjustments	<u>50,870</u>	<u>53,442</u>
Net cash used in operating activities	<u>\$ (25,368)</u>	<u>\$ (6,968)</u>

The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

March 31, 2008 and 2007

	<u>Agency Funds</u>	
	<u>2008</u>	<u>2007</u>
Assets:		
Cash and cash equivalents	\$ 889,683	\$ 856,829
Total assets	<u>\$ 889,683</u>	<u>\$ 856,829</u>
 Liabilities:		
Due to taxpayer	\$ 2,023	\$ 2,015
Due to other funds	264,001	222,699
Due to other governmental units	<u>623,659</u>	<u>632,115</u>
Total liabilities	<u>\$ 889,683</u>	<u>\$ 856,829</u>

The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Franklin Township, Lenawee County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

A. Reporting Entity

Franklin Township is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Franklin Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. The government-wide financial statements categorize primary activities as either governmental or business-type.

Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and a fiduciary fund, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund (General Fund) and the major individual enterprise fund (Sewer Fund) are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Township's sewer system.

The government reports the following nonmajor governmental fund:

The *Permanent Fund* is used to account for resources legally held in trust to care and maintain the grave site of Addie Lindberg as written in her last will and testament.

Additionally, the government reports the following fiduciary fund types:

The *Tax Collection Fund* is used to account for assets held by the Township as an agent for other governments, and/or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

The *Bond and Trailer Tax Fund* and the *Fathi/Schroeder Fund* are used to account for assets held by the Township as an agent for other governments, other funds and/or taxpayers. These agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activity (Sewer Fund), subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is payment of utility charges between the Township's sewer function and the general fund. Elimination of these charges would distort the direct costs and program revenues reported for the two functions concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and cash equivalents include cash on hand and deposits with maturities less than three months in the statement of cash flows for the proprietary fund.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in bank accounts, cash on hand and demand deposits.

The Township owned investments of certificates of deposit at year-end. The Township's investment policy, in regards to authorized investments, is in accordance with Michigan Compiled Laws Section 129.91.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The Township property tax is levied on each December 1 on the taxable value of property located in the Township as of the preceding December 31.

The Township's 2007 ad valorem tax was levied and collectible on December 1, 2007. It is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are made available for the financing of Township operations. Payment from the County Delinquent Tax Fund, which purchases the 2007 delinquent real property taxes, is recorded as a receivable and recognized as revenue in the current fiscal year.

The 2007 taxable value of Franklin Township totaled \$136,828,337. The Township levied .7406 mills (Tax, \$101,335) for general operations.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment and vehicles	10 – 30
Furnishings	30
Sewer system	35

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. The Township did not incur expenditures in excess of the amount appropriated.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of March 31, 2008, \$2,098,580 of the Township's bank balance of \$2,198,580 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$2,098,580</u>
--------------------------------	--------------------

All deposits are with banks located in Michigan as required by statutes.

Investments

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township does not have an investment policy for interest rate risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Township does not have a concentration of credit risk policy.

The Township's total investments are certificates of deposit with United Bank & Trust. The weighted average maturity of the governmental funds certificates of deposits is 447.80 days.

NOTE 4. RECEIVABLES (Continued)

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Sewer</u>	<u>Total</u>
Receivables:			
Taxes	\$ 340	\$	\$ 340
Accounts		19,808	19,808
Intergovernmental	8,891	12,259	21,150
Special assessments	<u> </u>	<u>569,644</u>	<u>569,644</u>
Gross receivables	9,231	601,711	610,942
Less: Allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 9,231</u>	<u>\$ 601,711</u>	<u>\$ 610,942</u>

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 33,312	\$	\$	\$ 33,312
Land improvements	18,071			18,071
Buildings and improvements	25,881			25,881
Machinery and equipment	9,705			9,705
Office equipment and computers	<u>13,215</u>			<u>13,215</u>
Depreciable capital assets	<u>66,872</u>			<u>66,872</u>
Accumulated depreciation for:				
Land improvements	7,464	1,000		8,464
Buildings and improvements	25,881			25,881
Machinery and equipment	5,100	971		6,071
Office equipment and computers	<u>3,078</u>	<u>1,310</u>		<u>4,388</u>
Total accumulated depreciation	<u>41,523</u>	<u>3,281</u>	<u>-</u>	<u>44,804</u>
Net depreciable capital assets	<u>25,349</u>	<u>(3,281)</u>	<u>-</u>	<u>22,068</u>
Governmental activities, net capital assets	<u>\$ 58,661</u>	<u>\$ (3,281)</u>	<u>\$ -</u>	<u>\$ 55,380</u>
Business-type activities:				
Sewer system	\$ 2,739,451	\$	\$	\$ 2,739,451
Accumulated depreciations-Sewer system	<u>518,183</u>	<u>54,789</u>		<u>572,972</u>
Business-type activities net capital assets	<u>\$ 2,221,268</u>	<u>\$ (54,789)</u>	<u>\$ -</u>	<u>\$ 2,166,479</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,281
Total depreciation expense-governmental activities	<u>\$ 3,281</u>
Business-type activities:	
Sewer fund	\$ 54,789
Total depreciation expense-business-type activities	<u>\$ 54,789</u>

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 6. INTERFUND BALANCES

Interfund balances at March 31, 2008 are as follows:

	<u>Due from Fiduciary Funds</u>
<u>Due to</u>	
General Fund	\$ 113,226
Sewer Fund	<u>150,775</u>
	<u>\$ 264,001</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at March 31, 2008 are expected to be repaid within the next fiscal year.

NOTE 7. FUND BALANCE

Fund balances on the Governmental fund balance sheet are classified as either reserved or unreserved. The term reserved indicates that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use. The reserve for nonexpendable trust represents the principal amount and the reserve for expendable trust represents the earnings on the principal that may be used for care and maintenance of a grave site as stipulated by Addie Lindberg's last will and testament.

The designated portion of unreserved fund balance for building and site represents the amount designated by the board for a township hall.

NOTE 8. LONG TERM LIABILITIES

Business-type activities

The Township entered into a contract with Lenawee County and Cambridge Township for the acquisition, construction and financing of the Cambridge/Franklin Sewage Disposal System, as established by the Lenawee County Board of Commissioners. Franklin Township's portion represents 52%, or \$2,022,800, of the total \$3,890,000 original bonds issued by Lenawee County, dated June 1, 1996. The interest rate varies between 4.5% and 7.5% per the bond schedule. The maturity date of these bonds is May 1, 2015.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 8. LONG TERM LIABILITIES (Continued)

The schedule of long term liability activity follows:

	Sewer Fund Franklin Township share Of the Lenawee County Sewage Disposal Bonds Series 1996
Balance April 1, 2007	\$ <u>972,400</u>
Increases	
Decreases	<u>(106,600)</u>
Balance March 31, 2008	865,800
Less: current portion	<u>(106,600)</u>
Total due after one year	\$ <u>759,200</u>

Debt service requirements at March 31, 2008, were as follows:

<u>Year ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	106,600	36,562	143,162
2010	106,600	31,766	138,366
2011	101,400	27,085	128,485
2012	101,400	22,523	123,923
2013	98,800	18,018	116,818
2014 - 2016	<u>351,000</u>	<u>25,565</u>	<u>376,565</u>
	<u>\$ 865,800</u>	<u>\$ 161,519</u>	<u>\$ 1,027,319</u>

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 8. LONG TERM LIABILITIES (Continued)

The Cambridge/Franklin Sewage Disposal System includes purchasing capacity rights for residential equivalent units in the Wamplers Lake Sewage Disposal System's interceptor sewer system and aerated lagoon treatment facility, paying the cost of expanding the treatment facility to accommodate the increased flows and purchasing service stubs and connection rights. Per the agreement with Cambridge and Norvell Townships, Franklin Township's original obligation was \$935,877. The contract payable at March 31, 2008 was \$272,031, payable as follows:

<u>Year ended March 31,</u>	<u>Contract payable</u>
2009	\$ 47,787
2010	45,941
2011	46,495
2012	44,526
2013	43,756
2014	<u>43,526</u>
	<u>\$ 272,031</u>

NOTE 9. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township is a member of the Michigan Township Participating Plan ("Plan") to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses and to defend and protect against liability or loss. The Plan provides protection to the Township based on its selected risks, limits and deductibles. Any settled claims have not exceeded the limits of coverage in any of the past three years.

NOTE 10. PENSION PLAN

The Township provides pension benefits for elected officials and full time employees through a defined contribution plan as authorized by IRS code section 401(b). The plan is through John Hancock, an insurance company, in connection with the Michigan Township Association. The contributions to the pension plan are invested in life insurance annuities. Officials are eligible to participate the first policy anniversary date after becoming employed are at least twenty-one (21) years old. Contributions to the plan are based on past service and level of income. Employees must contribute 25% of premium costs and the Township contributes the remaining 75%. The Township's pension expense for the year ended March 31, 2008 was \$7,884 and participants contributed \$2,628.

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 11. ADJUSTMENT TO PROPRIETARY FUND NET ASSETS

The Township has a previously unaccounted for obligation from prior years of \$272,031, as a result of the merger into the sewer system with Cambridge and Norvell Townships. The Township also paid an additional principal amount to this current fiscal year for a prior year obligation to the Lenawee County Drain Commission for the Franklin-Cambridge Sewage Disposal bond in the amount of \$33,358.

Contract payable	\$ 272,031
Bond principal payment	<u>33,358</u>
	<u>\$ 305,389</u>

NOTE 12. ADJUSTMENT TO GOVERNMENTAL ACTIVITIES NET ASSETS

An adjustment of \$5,000 is necessary to correctly account for the capital asset additions from the prior year.

FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN

COMBINING SCHEDULE OF FIDUCIARY FUNDS

AGENCY FUNDS

March 31, 2008

<u>Assets</u>	<u>Tax collection Fund</u>	<u>Fathi/Schroeder Fund</u>	<u>Total</u>
Cash	\$ 887,660	\$ 2,023	\$ 889,683
Total assets	<u>\$ 887,660</u>	<u>\$ 2,023</u>	<u>\$ 889,683</u>
<u>Liabilities</u>			
Due to taxpayer	\$	\$ 2,023	\$ 2,023
Due to other funds	264,001		264,001
Due to other governmental units	<u>623,659</u>	<u></u>	<u>623,659</u>
Total liabilities	<u>\$ 887,660</u>	<u>\$ 2,023</u>	<u>\$ 889,683</u>

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

TAX COLLECTION FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2008

<u>Assets</u>	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
Cash	\$ 841,296	\$ 2,102,600	\$ 2,056,236	\$ 887,660
Total assets	<u>\$ 841,296</u>	<u>\$ 2,102,600</u>	<u>\$ 2,056,236</u>	<u>\$ 887,660</u>
<u>Liabilities</u>				
Due to other funds	\$ 209,181	\$ 208,499	\$ 153,679	\$ 264,001
Due to other governmental units	<u>632,115</u>	<u>1,894,101</u>	<u>1,902,557</u>	<u>623,659</u>
Total liabilities	<u>\$ 841,296</u>	<u>\$ 2,102,600</u>	<u>\$ 2,056,236</u>	<u>\$ 887,660</u>

July 9, 2008

To the Board of Trustees
Franklin Township
Lenawee County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin Township (Township), Lenawee County Michigan, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we considered the deficiency in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

This communication is intended solely for the information and use of the Board of Trustees of Franklin Township, Lenawee County, Michigan, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.
Adrian, Michigan

FRANKLIN TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2008

Finding considered a significant deficiency

Criteria

Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate, in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

Currently there is little segregation of conflicting duties of initiating transactions, and the recording of those transactions.

Cause

The Township's officials' responsibilities are flawed by design.

Effect

Segregation of duties would provide another measure of internal control to provide the ability of the Township to determine, in a reasonable amount of time, whether all transactions initiated are recorded and reported timely and accurately.

Recommendation

The Township should continue as it has in the past.

Client Response

We are aware of this deficiency.